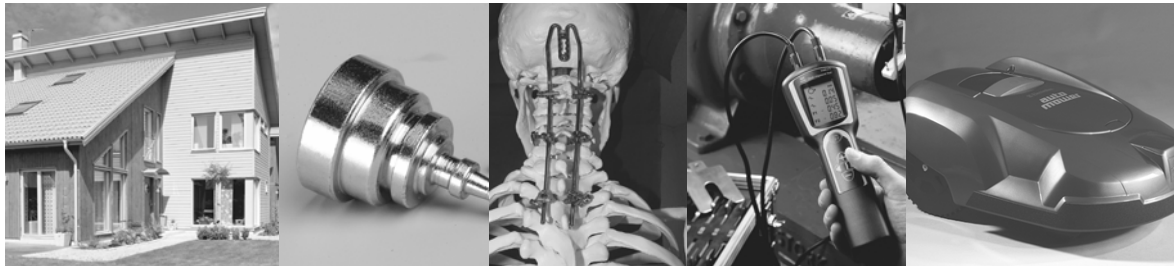


## Interim report

January 1 – June 30, 2006



**The Group's profit after financial items rose to SEK 15.8 M (9.0). Significant earnings improvement reported within the Building/Interior and Engineering/Technology business areas.**

- Net sales totaled SEK 741 M (676).
- Operating profit rose to SEK 22.1 M (13.7). Profit after financial items amounted to SEK 15.8 M (9.0).
- Profit after tax totaled SEK 10.7 M (6.3), corresponding to SEK 1.77 (1.13) per share.
- Cash flow from operating activities was a negative SEK 14.9 M (0.2). Cash flow after investments was a negative SEK 31.3 M (neg: 14.2).
- Significant earnings improvement reported within the Building/Interior and Engineering/Technology business areas. Weak trend within Electronics.
- Continued strong market for single-family homes. The Board of Directors intends to propose that the Building/Interior business area be spun off to shareholders during autumn 2006.
- The Group's operations will be focused on medical technology and precision mechanics.

### **General information about operations**

Westergyllen is an industrial group organized in three business areas: Building/Interior, Electronics and Engineering/Technology.

Market conditions were favorable during the period in the Building/Interior and Engineering/Technology business areas, with sharp increases noted in both net sales and earnings. Order bookings were healthy within both business areas. The demand situation for the Electronics business area was weak, with order bookings that were lower than the delivered volume. Decisions have been made regarding rationalization measures and capacity adjustments within the business area.

### **Spin-off of Building/Interior business area**

Building/Interior business area consists of Westergyllen's single-family homes operations and a smaller unit that manufactures biofuel. During the second quarter, the operations of this business area were organized in new group, the Forshem Group. The Forshem Group comprises subsidiaries Forshemgruppen, Götenehus, Sjödalshus and Forshem Biobrännse.

The Board of Directors has decided to convene an Extraordinary General Meeting to be held in November 2006 to decide on whether to distribute the Forshem Group, in accordance with what is known as the Lex ASEA precedent, to Westergyllen shareholders. The aim is to have Forshem shares listed on First North (Nya Marknaden) after distribution.

The proposal is fully in line with the Group's orientation towards fewer business areas. It is also estimated that a concentration and streamlining of the operations will eventually create more shareholder value. Another part of the strategy is that Westergyllen's operations will be focused around medical technology and precision mechanics, following the spin-off of Forshem.

A prospectus covering the distribution will be presented in late October or early November 2006. Erik Penser Fondkommission has been appointed as financial advisor.

### **Invoicing and earnings, second quarter of 2006**

Consolidated net sales during the second quarter amounted to SEK 381 M (366).

The Building/Interior and Engineering/Technology business areas reported better earnings than in the corresponding quarter of the preceding year. Earnings in the Electronics business area, on the other hand, were significantly weaker.

Operating profit for the quarter declined to SEK 7.5 M (10.9). Profit after financial items amounted to SEK 5.1 M (8.7).

### **Invoicing and earnings, January–June 2006**

Consolidated net sales during the period amounted to SEK 741 M (676).

Operating profit rose to SEK 22.1 M (13.7). Profit after financial items amounted to SEK 15.8 M (9.0). The earnings improvement is attributable to the Building/Interior and Engineering/Technology business areas, both of which reported significant earnings improvement compared with the preceding year.

### **Building/Interior**

The Building/Interior business area comprises mainly Götenehus and Sjödalshus, which produce single-family homes and jointly represent one of the largest players in the single-family homes market in Sweden. Westergyllen's small-homes operations consist of project activities that market and build groups of small homes and of operations that build individual single-family homes.

Demand in the Swedish market for single-family homes remained highly favorable during the first half of 2006. Prices for resale of single-family homes continued to increase. According to Statistics Sweden, the price of single-family homes rose 4 percent during the past three months. On an annual basis, prices are now rising at a rate of 12 percent. According to the forecast presented by the National Board of Housing, Building and Planning in May 2006, the number of housing starts on single-family homes will rise by slightly more than 10 percent in 2006 to approximately 13,500 units.

Net sales in the Building/Interior business area amounted to SEK 411 M (362). Operating profit improved sharply to SEK 21.8 M (11.5), corresponding to an operating margin of 5.3 percent (3.2). Delivery volume in terms of number of units rose by about 25 percent compared with the year-earlier period. Order bookings within the operations focusing on individual single-family homes were favorable during the period and somewhat higher than the delivery volume. In addition, a number of new projects were added to the project portfolio during the period. The number of building rights in the project portfolio corresponded to about 500 single-family homes on June 30, up by 30 units compared with year-end 2005.

### **Electronics**

The Electronics business area comprises Elektromekan, which is one of Sweden's leading EMS (Electronic Manufacturing Service) companies. The company produces components and products for the telecom sector and equipment for other mobile communications, process control and engineering industries.

To offset declining demand from the telecom industry, Elektromekan has invested greater resources in the industrial segment over the past few years. The major difference between these market areas is that the telecom industry is characterized by few customers that order large-scale series volumes, while the industrial segment consists of a broader customer base with orders mainly for smaller product series. To date, growth in the industrial segment has not been sufficient to compensate for the decrease in telecom volumes.

Elektromekan's operations have been restructured during the year. At the beginning of the year, 45 employees were served with termination notices. Production of several labor-intensive products will be outsourced to Elektromekan's production partners in low-cost countries in 2006. The full impact of the restructuring will not be evident until during the last quarter of the year.

Net sales in the Electronics business area declined to SEK 133 M (216 M). An operating loss of SEK 10.1 M (loss: 2.7) was reported and the operating margin was a negative 7.6 percent (neg: 1.2). Order bookings during the period amounted to SEK 115 M (210).

## Engineering/Technology

The Engineering/Technology business area consists of the Pinol, Elos Medical and Elos Precision precision-engineering units, and Fixturlaser.

Market conditions for the precision-engineering units were favorable during the period, with significant increases in both sales and earnings. The process to coordinate newly acquired Pinol and Elos Medical, which commenced at the end of 2005, continued during the period. Achieving an increase in the medical-technology operations' share of the Group's total sales is a stated strategy and one that has been assigned a high priority.

Net sales within Engineering/Technology rose sharply during the period and amounted to SEK 198 M (107). Excluding Pinol, which was acquired in 2005, sales rose by 13 percent. Operating profit improved to SEK 12.8 M (8.1), corresponding to an operating margin of 6.5 percent (7.6). During the period, Pinol started up the production of several new products, which resulted in initial costs. As a result of this, Pinol had only a marginally positive effect on operating profit for the period. Order bookings during the period amounted to SEK 205 M (132). Excluding Pinol, order bookings rose by slightly more than 1 percent compared with the year-earlier period.

## Other

At the end of the period, Westergyllen owned 24.6 percent of Hemapure AB, in Uppsala, a medical-technology company that is developing a system to facilitate access to blood flow during dialysis. During the second quarter of 2006, Gambro acquired the assets and operations of Hemapure. The ultimate amount of the purchase price depends on the future performance of the operations sold and is at present difficult to estimate. The book value of the shareholding in Hemapure amounted to SEK 10.3 M at the end of the period.

## Investments

The Group's investments in buildings, land, machinery and equipment totaled SEK 28.5 M (22.6). In addition, SEK 4.0 M (1.5) was invested in intangible fixed assets.

## Financial position and liquidity

The Group's total assets, which have increased by nearly SEK 47 M since year-end, amounted to SEK 986 M (939). The rise was largely attributable to an increase in holdings of sites and show houses in the Building/Interior business area.

The share of own risk-bearing capital was 26.0 percent, compared with 27.2 percent at year-end. The equity/assets ratio was 23.3 percent (24.3).

The Group's cash flow from operating activities was a negative SEK 14.9 M (0.2). Cash flow after investments was a negative SEK 31.3 M (neg: 14.2). The increased site portfolio, which had an adverse effect on cash flow, was funded partly through loans. Excluding the site portfolio, cash flow was positive. The Group's net debt rose during the period by SEK 52.3 M to SEK 388.6 M (336.3). The Group's cash and cash equivalents, including unutilized overdraft facilities, amounted to SEK 136.5 M, compared with SEK 171.2 M at year-end.

## Personnel

At the end of the period, the Group had 760 full-time employees, compared with 756 at year-end. The number of employees in the Building/Interior business area amounted to 250 (229) at the end of the period.

## Parent Company

The Parent Company's net sales amounted to SEK 5.4 M (5.3). The result after net financial items was SEK 33.9 M (21.0). The result includes intra-Group distributions and net capital gains of SEK 35.8 M (25.1). The share of own risk-bearing capital was 58.8 percent (55.2). The equity/assets ratio was 57.6 percent (54.0). The Parent Company's cash and cash equivalents, including unutilized overdraft facilities, amounted to SEK 105.3 M (129.0).

## Accounting principles

This interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting.

The interim report is unaudited.

## Forecast for 2006

The Board of Directors has decided to convene an Extraordinary General Meeting to be held in November 2006 to decide on whether to spin off the Building/Interior business area to Westergyllen shareholders. The market prospects for the business area are currently regarded as highly favorable. The earlier forecast, that both capacity utilization and earnings within the Building/Interior business area are expected to be significantly better than the outcome for 2005, remains unchanged.

The assessment for the remaining operations is also favorable for the Engineering/Technology business area. The business area's sales and earnings are expected to be better than in the preceding year.

The restructuring of operations in the Electronics business area is not expected to gain its full impact until the final quarter of the year. The sales and earnings of the business area are expected to be weaker than the outcome for 2005.

The long-term strategy is that Westergyllen's operations will be focused on medical technology and precision mechanics.

## Financial information 2006

The interim report for the third quarter of 2006 will be published on October 27, 2006.

Götene, August 17, 2006

Göran Brorsson  
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## CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	April-June 2006	April-June 2005	Jan-June 2006	Jan-June 2005	July-June 2005/06	Jan-Dec 2005
Net sales	381,3	366,3	740,7	675,8	1 393,2	1 328,3
Cost of goods sold	-317,4	-304,1	-607,9	-563,9	-1 133,4	-1 089,4
<b>Gross profit</b>	<b>63,9</b>	62,2	<b>132,8</b>	111,9	<b>259,8</b>	238,9
Selling expenses	-35,9	-33,5	-72,2	-63,5	-139,1	-130,4
Administrative expenses	-21,4	-16,9	-41,6	-31,0	-76,4	-65,8
Other operating income/expenses	0,9	-0,9	3,1	-3,7	5,5	-1,3
<b>Operating profit</b>	<b>7,5</b>	10,9	<b>22,1</b>	13,7	<b>49,8</b>	41,4
Financial income	0,7	0,2	0,8	0,3	1,7	1,2
Financial expenses	-3,1	-2,4	-7,1	-5,0	-12,5	-10,4
<b>Profit after financial items</b>	<b>5,1</b>	8,7	<b>15,8</b>	9,0	<b>39,0</b>	32,2
Taxes	-1,7	-2,6	-5,1	-2,7	-12,6	-10,2
<b>Profit after taxes</b>	<b>3,4</b>	6,1	<b>10,7</b>	6,3	<b>26,4</b>	22,0
Depreciation charged against earnings	13,2	11,2	26,5	22,0	51,0	46,5
Earnings per share (SEK)	0:56	1:11	1:77	1:13	4:58	3:94
Average number of shares (thousands)	6 051	5 530	6 051	5 530	5 766	5 573
Number of shares in end of period (thousands)	6 051	5 530	6 051	5 530	6 051	6 051

## NET SALES AND OPERATING PROFIT/LOSS PER BUSINESS AREA

Net sales SEK M	April-June 2006	April-June 2005	Jan-June 2006	Jan-June 2005	July-June 2005/06	Jan-Dec 2005
Building/Interior	222,8	207,3	411,0	361,8	748,5	699,3
Electronics	61,3	105,5	133,3	216,4	306,5	389,6
Engineering/Technology	98,0	59,0	198,5	107,4	349,2	258,1
Other	-0,8	-5,5	-2,1	-9,8	-11,0	-18,7
<b>Total</b>	<b>381,3</b>	366,3	<b>740,7</b>	675,8	<b>1 393,2</b>	1 328,3

Operating profit/loss SEK M	April-June 2006	April-June 2005	Jan-June 2006	Jan-June 2005	July-June 2005/06	Jan-Dec 2005
Building/Interior	10,2	7,7	21,8	11,5	38,4	28,1
Electronics	-6,5	0,7	-10,1	-2,7	-9,8	-2,4
Engineering/Technology	5,2	4,8	12,8	8,1	27,7	23,0
Other	-1,4	-2,3	-2,4	-3,2	-6,5	-7,3
<b>Total</b>	<b>7,5</b>	10,9	<b>22,1</b>	13,7	<b>49,8</b>	41,4

## CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	2006-06-30	2005-06-30	2005-12-31
<b>Assets</b>			
Intangible fixed assets	66,7	16,4	64,1
Tangible fixed assets	305,8	202,0	307,4
Financial fixed assets	11,1	12,9	11,3
Other current assets	560,3	478,1	499,9
Cash and bank balances	42,4	41,0	56,1
<b>Total assets</b>	<b>986,3</b>	<b>750,4</b>	<b>938,8</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	229,7	179,9	228,2
Long-term liabilities	377,2	244,1	341,3
Current liabilities	379,4	326,4	369,3
<b>Total shareholders' equity and liabilities</b>	<b>986,3</b>	<b>750,4</b>	<b>938,8</b>

## CONSOLIDATED CASH-FLOW STATEMENT

SEK M	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Profit after net financial items	15,8	9,0	32,2
Adjustment items	27,9	25,0	56,3
Income tax paid	-11,5	-6,3	-9,3
Change in working capital	-47,1	-27,5	-21,6
<b>Cash flow from operating activities</b>	<b>-14,9</b>	<b>0,2</b>	<b>57,6</b>
Investments in subsidiary	-0,6	0,0	-33,4
Investments in other fixed assets	-18,3	-14,7	-36,5
Sales of companies and fixed assets	2,5	0,3	0,3
<b>Balance after investments in fixed assets</b>	<b>-31,3</b>	<b>-14,2</b>	<b>-12,0</b>
Change in interest-bearing loans	25,3	-1,1	9,6
New issue of shares	0,0	0,0	2,2
Dividends	-7,6	-6,9	-6,9
<b>Cash flow for the year</b>	<b>-13,6</b>	<b>-22,2</b>	<b>-7,1</b>
Liquid funds at beginning of the year	56,1	63,1	63,1
Exchange-rate differences in liquid funds	-0,1	0,1	0,1
<b>Liquid funds at the end of the period</b>	<b>42,4</b>	<b>41,0</b>	<b>56,1</b>

## KEY FIGURES

SEK M		Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Return on capital employed	%	7,1	6,5	8,1
Return on shareholders' equity	%	9,3	7,0	10,7
Share of risk-bearing capital	%	26,0	27,1	27,2
Equity/assets ratio	%	23,3	24,0	24,3
Net debt	SEK M	388,6	214,4	336,3
Investments excluding shares	SEK M	32,5	24,1	50,0
Number of employees		773	708	700
Shareholders' equity per share	SEK	37:97	32:54	37:72

## QUARTERLY FIGURES - GROUP

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2005	2005	2005	2005	2004	2004	2004	2004
Net sales	381,3	359,4	386,1	266,4	366,3	309,5	401,7	321,9	424,8	319,0
Cost of goods sold	-317,4	-290,5	-309,7	-215,8	-304,1	-259,8	-333,8	-266,2	-351,3	-263,6
<b>Gross profit</b>	<b>63,9</b>	68,9	76,4	50,6	62,2	49,7	67,9	55,7	73,5	55,4
Selling and admin. expenses	-57,3	-56,5	-63,3	-38,4	-50,4	-44,1	-53,7	-40,8	-51,2	-43,8
Other operating items	0,9	2,2	3,0	-0,6	-0,9	-2,8	1,1	-0,4	-3,0	-1,7
<b>Operating profit/loss</b>	<b>7,5</b>	14,6	16,1	11,6	10,9	2,8	15,3	14,5	19,3	9,9
Net financial items	-2,4	-3,9	-2,3	-2,2	-2,2	-2,5	-2,3	-3,2	-3,1	-3,6
<b>Profit/loss after financial items</b>	<b>5,1</b>	10,7	13,8	9,4	8,7	0,3	13,0	11,3	16,2	6,3
Taxes	-1,7	-3,4	-4,2	-3,3	-2,6	-0,1	-4,6	-3,4	-5,6	-2,2
<b>Profi/loss after taxes</b>	<b>3,4</b>	7,3	9,6	6,1	6,1	0,2	8,4	7,9	10,6	4,1

## QUARTERLY FIGURES - BUSINESS AREAS

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2005	2005	2005	2005	2004	2004	2004	2004
Net sales	381,3	359,4	386,1	266,4	366,3	309,5	401,7	321,9	424,8	319,0
Building/Interior	222,8	188,2	199,2	138,3	207,3	154,5	206,8	129,4	196,0	153,8
Electronics	61,3	72,0	96,6	76,6	105,5	110,9	148,1	147,3	174,3	113,8
Engineering/Technology	98,0	100,5	95,1	55,6	59,0	48,4	53,3	50,8	61,9	56,1
Other	-0,8	-1,3	-4,8	-4,1	-5,5	-4,3	-6,5	-5,6	-7,4	-4,7
<b>Total</b>	<b>381,3</b>	359,4	386,1	266,4	366,3	309,5	401,7	321,9	424,8	319,0

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK M	2006	2006	2005	2005	2005	2005	2004	2004	2004	2004
Operating profit/loss	7,5	14,6	16,1	11,6	10,9	2,8	15,3	14,5	19,3	9,9
Building/Interior	10,2	11,6	10,7	5,9	7,7	3,8	5,9	5,1	7,9	3,3
Electronics	-6,5	-3,6	0,2	0,1	0,7	-3,4	5,8	6,9	10,7	3,5
Engineering/Technology	5,2	7,6	7,8	7,1	4,8	3,3	2,8	3,8	4,7	5,5
Other	-1,4	-1,0	-2,6	-1,5	-2,3	-0,9	0,8	-1,3	-4,0	-2,4
<b>Total</b>	<b>7,5</b>	14,6	16,1	11,6	10,9	2,8	15,3	14,5	19,3	9,9

## CHANGE IN SHAREHOLDERS' EQUITY

	Jan-June	Jan-June	Jan-Dec
SEK M	2006	2005	2005
Opening balance	228,2	181,2	181,2
Acquisition of minority interests	0,0	-0,7	-0,7
Translation difference	-1,6	0,0	-1,1
Net gain on hedge of net investment	0,0	0,0	0,4
New issue of shares	0,0	0,0	33,3
Dividends	-7,6	-6,9	-6,9
Profit for the period	10,7	6,3	22,0
<b>Closing balance, shareholders' equity</b>	<b>229,7</b>	179,9	228,2